



CALPINE

Los Esteros Critical Energy Facility
1515 Alviso Milpitas Road
San Jose, CA 95134

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CALIF ENERGY COMMISSION

JAN 27 2004

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TERRENCE O'BRIEN, Deputy Director
Systems Assessment & Facilities Siting
California Energy Commission
1516 Ninth Street
Sacramento CA 95814

Dear Mr. O'Brien:

I am writing with regard to the Staff's investigation regarding the revised temporary interconnection of the Los Esteros Critical Energy Facility ("LECEF"). We understand that the Commission Staff will be recommending approval of the pending petition for modification, subject to certain conditions related to construction of a permanent interconnection either pursuant to the decision regarding relicensing of Phase 1 or the decision regarding the interconnection to be approved as part of the phase 2 AFC. We understand that the Commission Staff has found no significant environmental impacts associated with the shortening of the temporary interconnection, and we are pleased that the issues appear to have been resolved.

I want to apologize for the failure to timely notify the CPM of the issues that led up to the Staff's request for LECEF to file the petition for modification and the concurrent Staff investigation. In retrospect, it is clear to LECEF that we should have moved more quickly to inform the CPM of PG&E's plans related to transmission as soon as we learned of PG&E's plans. I regret that LECEF did not do so. The failure, while not intentional, was clearly a product of poor communications complicated by the furious pace of activities as PG&E moved to improve local reliability.

As a result, we have taken several corrective actions that I believe are to the benefit of all parties. First, we have instituted a more comprehensive internal communication system at LECEF, including more frequent email messages and conference calls. This improved internal coordination will ensure that the Calpine project manager has all of the latest information that can then be shared with the Commission and the CPM. In addition, we have had several meetings to discuss means of improving our communications with the Staff. Further, I believe that the personal interactions between Calpine, the CPM, and other key staff have improved, due to efforts by all parties to make sure the information continues to flow. Finally, please be assured that should plans change or questions regarding the interpretation of conditions of certification arise in the future, we will quickly communicate with the CPM to ensure that the Commission is timely informed prior to actual implementation of these plans.

Thank you for your consideration of this important matter. We look forward to continuing to work closely with the Commission on the LECEF project.

Sincerely,

Bryan J. Bertacchi
Vice President
Los Esteros Critical Energy Facility, LLC